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THE TEXTILE SCHEDULES IN THE TARIFF OF 1922

SUMMARY

Congressional history of textile schedules. — Changes in form of schedules, 31: wool duties, 33; textile manufactures, 39. — Changes in rates of duty, 43; wool manufactures, 46. — Improvement in quality of textile production, and public policy, 49.

THE schedules in the tariff act of 1922 which pertain to textile raw materials and textile manufactures manifest with special clearness the influences that played their several parts in the formulation of the whole tariff law: the bargaining of the agricultural interests with the manufacturing; the struggle of the forces making for a law more scientifically constructed against the usual indifference and ignorance; and the careful discrimination between the satisfaction of interested claimants and the maintenance of political security for the dominant party. A somewhat detailed study of the textile schedules, sufficiently interesting and important of itself, serves to bring out these features.

The legislative history is in most respects substantially parallel to that of the act as a whole. The agricultural element had the initiative. It had succeeded in incorporating into the so-called Emergency tariff duties on long staple cotton and on wool — the first tax laid on any sort of raw cotton since 1883 and the highest duty ever imposed on raw wool — and the bloc expressed its determination to see adequate protection to these products continued in the “permanent” tariff law. With this manifesto flung in its face, Congress went to work. The textile subcommittees organized by the

Committee on Ways and Means labored diligently and on the whole constructively upon the portions of the field severally assigned to them, not only attempting to hold the balance even between conflicting interests, but striving toward a structurally better form in the tariff. One or two of the subcommittees, especially that on cottons, utilized either the written data of the old Tariff Board or the direct comments of the Tariff Commission's experts. To the efforts of these subcommittees are traceable most of the improvements in the form of the textile paragraphs. In the Senate committee, however, proceedings had quite a different complexion. In the place of order, confusion; in place of seclusion or at least partial seclusion, the hubbub and constant interruptions of visiting delegations and interested Senators, urging the preferential treatment of this, that, and the other item; and in place of a decent (not always sincere) appeal to impartial authority, contention among prospective beneficiaries within the bounds set by political expediency. Neither in committee nor upon the floor of the Senate was much consideration given to a scientific revision of the tariff, while the trend of rates was appreciably upwards, especially in the case of specific duties. Such rates, it may be added, survived the Conference committee's deliberations with scarcely an alteration. In general, then, as far as the textile provisions are concerned, the structure of the new law is primarily a contribution of the lower house, and the fixation of rates more particularly that of the Senate.

I

The form of the textile schedules, as just intimated, does exhibit a distinct improvement over that of any preceding tariff act. This is a field in which expert ad-

vice such as that of the Tariff Commission could be of much value, and indeed to that body and to its experts much of the credit for betterment in the law is due. Like most human institutions of long standing the tariff had become burdened with relics of the past, obsolete terms and obsolete articles (e. g., bocking, bedsides, flume hose) and an antique classification of wools. These were eradicated. Again, much of the useless detail of the paragraphs was eliminated. The categories of cotton yarns and cotton cloths were reduced in number; and in the wool-cloth schedule the time-honored classifications of flannels, dress-goods, and "cloths" gave way to one of simpler and unambiguous character based solely on weight. In some cases, moreover, such as wool wastes and wool carpeting, improved arrangement yielded a by-product of greater justice in rates. Previously wool wastes differing widely in character — top waste and garnetted waste, or noils and wool extract — had been carelessly lumped together. Now the articles of substantially similar quality are assembled in each separate group, and the duties levied upon the several categories, specific in type, are fixed somewhat in accordance with their various values. In like manner, the carpet paragraphs, which had heretofore preserved with little change the cast imparted to them sixty years ago, have been modernized to take into account the disappearance of certain varieties and forms of carpeting, the introduction of others, and the present status in the machine production of floor coverings. It cannot be questioned, then, that the textile schedules have been put into better shape and more scientific shape than ever before, their meaning made clearer, and presumptively the administration of the law in this difficult field rendered both simpler and surer.¹

1. The Tariff Commission was fortunate in having as its chief expert on textiles Mr. W. A. Graham Clark, sometime textile investigator with the Department of Commerce

A further change, outwardly a mere modification in form similar to some of the changes already mentioned but in reality attended with more considerable consequences, is that in the assessment of the wool duty. Previous tariff acts, since the more modern framework of wool tariff duties was erected in the special act of 1867, have contained a basic impost upon wool in the greasy condition (except of course in those periods of 1894-97 and 1913-21 when wool was placed upon the free list). In the Emergency tariff of 1921 this form was still employed. To the basic rate — 11 cents per pound under the Payne-Aldrich law and 15 cents under the Emergency Act upon the principal class of wool fibre — was always added a provision for doubling and trebling the duty upon wool imported in the washed and scoured condition, respectively.² Against this form of duty, opposition has existed almost from the time of its origination. Eminent fine woollen manufacturers of the earlier period, such as Edward Harris and Nelson Slater, protested against this method of assessing the wool duty and the whole system of which it was the starting point; and it is said that shortly after the passage of the 1867 act “nearly half of the members of the National Association (of Wool Manufacturers, which had pushed it through) withdrew from that organization.”³ Since the

and former employee of the Tariff Board. Much of the betterment in the form of the textile schedule was due directly or indirectly to his extraordinary fund of information in this field and to his quiet persistence in persuasion.

2. “Washed” wool was defined as that which had been washed upon the sheep’s back before the animal was sheared, by which process some of the dirt and other material was removed from the fleece; and “scoured” wool, that which had been subjected to the scouring process, a mill operation, whereby the fibres are cleansed of all dirt, suint, and wool grease, and made ready for the real manufacturing processes.

The provisions for doubling the duty on washed wool, and trebling that on scoured wool (of Class I staple) were in effect practically prohibitive. Only wools of the highest shrinkages could be profitably imported in the face of such rapidly increased duties — and in fact these wools were rarely imported in any form.

3. John L. Hayes before the Tariff Commission of 1883, *Bulletin of the National Association of Wool Manufacturers*, 1883, p. 9. Mr. Hayes gave the cause of this withdrawal as the inadequacy of the compensatory duties (see below). However, see pamphlet by Edward Harris, *The Tariff and How it Affects the Woollen Cloth Manufacture* (1871); and H. N. Slater, in the *Nation*, 1878, p. 183.

taste of freer importations in the nineties, and especially since the formation of the Carded Wool Manufacturers Association a decade later, the pressure for a change has been constant.

The case against a grease-wool duty seems at first sight overwhelmingly strong. A tax upon dirt even of Australasian or Patagonian origin appears ridiculous. Yet the situation is not as bad as it seems. To some extent the quantity of extraneous material adhering to the wool fibre, and so the amount of shrinkage in scouring, varies directly with the fineness of the staple. The finer the fibre, and so *ceteris paribus* the more valuable the wool, likewise the greater the amount of wool grease, suint, and dirt in the unwrought fleece. Thus the ad valorem equivalent of the specific raw wool duties worked out, for a large proportion of our imports, at figures that did not vary too widely among the various grades of this textile material. Again, the assessment upon this basis fitted conveniently with commercial practice. Relatively few wools came upon the world markets in other than the greasy condition, both because of the lack of scouring facilities in wool-exporting countries and because of a strong trade preference for wools in the greasy state. Yet duties on the grease-wool basis, especially with a rate as high as that in the tariffs of 1897 and 1909, did operate to exclude a substantial quantity of wools. These were principally wools of two classes: first, the high-shrinkage and high-grade merino wools such as come from South Africa and some parts of South America; second, the lowest types of wools for clothing purposes, the tags, skirtings, and the like from any medium or fine wools, and wools of coarse fibre tho low shrinkage. These were chiefly wools usable in the woolen branch of the manufacturing industry. Moreover, it was of advantage to American buyers to

secure wools of relatively low shrinkage even among wools which theoretically might be brought in — that is, the use of which by American manufacturers was compensated for in the so-called compensatory duties on wool products. Indeed, it was principally wools of this character, known abroad as “wools for the American market,” which were brought in under the Dingley or Payne-Aldrich tariffs. The action of these various factors was in fact so great that the duty of 11 cents per pound of grease wool, as in the Payne-Aldrich Act, was found to yield a duty of only 18 cents per pound of clean wool upon the raw material actually imported, instead of the duty of 33 cents contemplated by that tariff.⁴

The old Tariff Board, having ascertained the practical effect of the grease-wool duties and having canvassed the possible alternative methods, recommended the adoption of duties upon the clean-wool basis; and in this view the present Tariff Commission concurred.⁵ Apparently these counsels had weight with the House subcommittee, altho the unkind critic might find in the change a purpose to obtain furtively that which would otherwise be politically unwise to attempt.⁶ A duty upon the clean-wool basis was reported to the House, and despite attacks upon it, especially as to its practicality, was retained through House, Senate, and Conference committee. The rate, however, was modified in transit. The House rate had been the not unreasonable one of 25 cents per pound of clean content, with the pro-

4. Tariff Board's Report on Schedule K (1911), p. 382.

5. *Ibid.*, pp. 12, 392 ff.; Tariff Commission's Report on the Wool-Growing Industry (1921), pp. 26, 27, 455 ff. The Tariff Commission suggested a modification of the Tariff Board's recommendation: that the duties, still on the clean basis, should be graduated in accordance with the quality of the wool, three classes — coarse, medium, and fine — being proposed. Thereby somewhat the same protection, in *ad valorem* terms, could be extended to each grade of fibre.

6. The efforts of the Carded Wool Manufacturers Association probably did not go for nought, but it is a question whether its endeavors prevailed much against those of the National Association of Wool Manufacturers, a larger and equally active body, which was content with the old form of duty.

viso — suggested it is said by the Tariff Commission — that in no case should the duty exceed a stated ad valorem rate (provisionally fixed at 35 per cent). But the Senate, in accord with its general policy of increasing specific rates above those adopted in the lower chamber, jumped the duty to 33 cents per pound and — what is perhaps even more important — eliminated the ad valorem restriction entirely. Finally, in the give and take of the Conference committee's dealings (mostly "give" on the part of the House), the rate was reduced a nominal 2 cents, and stands in the act at 31 cents a pound on the clean wool.⁷

The net effects of the change in form and amount of the wool duty are shown in the following table:

COMPARISON OF AD VALOREM EQUIVALENTS GIVEN BY AN 11-CENT GREASE-WOOL AND A 31-CENT CLEAN-WOOL DUTY

	Cost in grease (cents)	Shrinkage %	Cost clean (cents)	Old system		New system		Duty less (—) or greater (+) under new system %
				Duty per clean lb. at rate of 11 cents per grease lb.	Ad valorem equiv- alent on clean for- eign cost	Duty 31 cents per clean lb.	Ad valorem equiv- alent on clean for- eign cost	
Merinos:								
Patagonian	12	75	48	44	91.7	31	64.6	— 29.5
Cape	26	66	76.5	32.4	42.3	31	40.5	— 4.1
Australian 64s	50	50	100	22	22	31	31	+ 40.9
Crossbreds:								
South America 58/60s	32	45	58.2	20	34.4	31	53.3	+ 55.0
New Zealand 58s	40	40	66.7	18.3	27.5	31	46.5	+ 69.0
South America 50s	26	36	40.6	17.2	42.3	31	76.3	+ 80.4
New Zealand 50s	31	30	44.3	15.7	35.5	31	69.9	+ 97.3
New Zealand 36/40s	15	25	20	14.7	73.3	31	155	+111.4

The price data in this table are from letter of Mr. Franklin W. Hobbs, in Hearings on General Tariff Revision before the Committee on Ways and Means, 1921, pp. 2731, 2732.

7. The attack on the clean-wool basis for duty, as above intimated, was mainly directly upon its impracticality. Plans for its administration have not as yet been worked out. They present many difficulties; yet none that appear insuperable. Each year millions of pounds of wool change hands wholly upon the traders' estimates of clean-wool content, and probably the estimates of two experienced buyers would not vary materially. It seems possible for the government to institute some system, perhaps calling upon the assistance of impartial trade juries and aided by occasional laboratory and conditioning-house tests, which will gain the confidence of the wool importers and render substantial justice between the government and the merchants.

Wools of the highest shrinkages, the sorts that were rarely if ever imported, were more severely burdened under the 11-cent grease-wool duty of the Payne-Aldrich Act. On the other hand, wools at the low end of the quality scale, coarse crossbreds and common staples, are much more heavily taxed under the new rate — but these were also practically excluded by the earlier duty. Accordingly, the practical effects of the change come to this. Some of the higher-shrinkage wools, such as the Cape merinos, will be more readily available to domestic consumers; but others — the Patagonian merinos and the tags, skirtings, etc., spoken of above — will probably be as effectually excluded under the new as under the earlier form of duty; since, in *ad valorem* terms, it is still high. The decrease in impost for such as are actually brought in will be small, probably not over 10 per cent of the previous duties. For the wools which have been chiefly imported in the past — lower-shrinkage full-blood merinos such as the Australian 64s in the above tabulation down to cross-bred quarter-bloods — the Fordney-McCumber duties mean an increase of from 40 to 75 per cent. Indeed, the rate on wools below three-eighths blood or 56s in quality becomes so heavy, running to 70 or 75 per cent *ad valorem*, that very possibly these staples will be largely excluded. That a considerable increase in impost was inevitable is apparent from the outstanding fact that the 1909 rates on wool worked out as an effective duty of only 18 cents per clean pound upon imported fibre, whereas the 1922 tariff levies a clean-content duty of 31 cents.

From the protectionist point of view, the increase in rates is not without justification. The costs of sheep-raising in those regions where the industry is conducted upon a commercial basis, as in the important range

states, have unquestionably increased markedly during the last decade. The Tariff Commission found that expenses per pound of wool produced in these range states had nearly trebled between 1910 and 1919: 45 cents per pound as compared with 16 cents at the earlier date.⁸ While there has been some decline in these costs since 1919, they have probably by no means reached their old level. The industry has been affected not only by general economic forces but also by special factors making for a permanent enhancement of costs: the decline in area of free range lands, the necessity of purchasing and fencing private ranches, and the increased cost of such land due to the greater competition of general farming. Probably in many cases the increase of 75 per cent in average tariff rate on wool, or of 13 cents per pound of clean wool, is more than met by the rise in domestic costs. Yet the fact cannot be dodged that domestic consumers of wool fabrics are paying a substantially higher price for the maintenance of our domestic flocks — and, be it noted, merely “maintenance,” since there is little likelihood of an extension of wool-growing. Signs point rather to a decline in production, even in absolute terms, while unquestionably the domestic clip will form, relative to our total wool consumption, a steadily declining factor — and this, whatever the tariff.⁹

8. Report on Wool-Growing Industry, pp. 197 ff.

9. The proportion of foreign to total wools consumed in the domestic woollen and worsted industries in the census years 1904, 1909, 1914, and 1919 was as follows:

	1904	1909	1914	1919
Domestic wool				
(million lbs.)	319.8	310.6	266.6	245.8
Percentage of total . . .	76.4	65.4	61.4	55.5
Foreign wool				
(million lbs.)	98.9	164.1	168.1	197.6
Percentage of total . . .	23.6	34.6	38.6	44.5

The Tariff Commission, in a communication to Senator Calder, estimated that the imposition of duties upon wool, with the consequent compensatory duties upon wool cloth, would, at the compensatory rate of 49 cents per pound, work out as an increase of

Just what would happen to the domestic wool-growing industry if importation of wool free of duty were permitted for a number of years under normal conditions is a difficult question in probabilities. An immediate and substantial decline in clip would undoubtedly occur, but the industry would by no means be obliterated. As Professor Taussig has suggested,¹ a production sufficient for war needs would assuredly be retained. Certain considerable sections of the country, especially in the West, are adapted to little else; and besides one may anticipate the maintenance and perhaps an increase in the number of sheep raised in connection with general farming, which, as just indicated, is itself extending its domain ever more widely. It is possible that these forces would in time bring about a return in production to approximately the present level as far as quantity is concerned, altho, to be sure, the quality of the domestic output might somewhat suffer. It seems quite unlikely that a permanent decrease of one-third the existing clip would occur — the most extreme pessimistic estimate which I have heard among experts. Protectionists have apparently been influenced chiefly by the probable difficulties and losses of the necessary period of readjustment.

In another and quite different section of the wool duties there has been more than a change in form, namely, in the duties on carpet wool. Here the change is indubitably a betterment. For more than a half-century wool-growers have resisted vigorously — and successfully — any attempt to grant free ingress to carpet wools when other wools were made dutiable. Always there has been a specific duty upon these coarse and relatively cheap staples, lower in absolute amount

93 cents per pound of cloth. This would mean an increased cost for a suit of clothes of \$2.03 to \$2.85; and for a heavy ulster, of \$5.29 to \$5.70 (Congressional Record, July 25, 1922, pp. 11597-8).

1. See above, p. 9.

than the duties upon the better quality wools, yet often equivalent to as much as 35 or 40 per cent *ad valorem*. Meanwhile, from the time of the Syracuse Convention of 1866, wool manufacturers have argued, and argued rightly, that such wools are in a negligible measure, if at all, competitive with the wools produced in this country.² Finally, and apparently as part of the exchange for higher agricultural duties generally, the Senate Finance committee inserted provision for a new system: nominally the rate is much increased — from 4 to 7 cents in the Payne-Aldrich tariff to 12 cents per grease pound — but such wools may be imported in bond and, if they are subsequently used in the manufacture of carpets, the duties will be refunded. Now that this position has been attained, it may perhaps be defended against future assaults of the domestic wool-growing interests.

We may turn now to the duties on textile manufactures. Here there has been at least one notable change in form, a diminution in the use of specific rates. The drift of our recent protectionist tariff laws, especially those of 1897 and 1909, as well as that of most foreign tariffs, has been decidedly in the direction of more numerous and more detailed specific duties. The Fordney-McCumber Act manifests a reaction. There is scarcely a paragraph in which specific rates displace *ad valorem* ones of, say, the Payne-Aldrich law. In some cases, where specific duties are retained, they are much simplified, for example, the paragraphs covering cotton yarns and cotton cloths. In other cases, as those of silk fabrics, cotton knit goods, and fabrics made of flax, hemp, and the like, the whole systems of graduated

2. When woolen cloth manufacturers desire to produce what is called a kempy effect, they mix in a small proportion of carpet wool. This contains usually a certain number of smooth, hair-like fibres, which do not take the dye as well as the rest of the batch and so yield the effect aimed at.

specific rates are scrapped, being replaced by simple ad valorem charges.

The legislative history of this change in the case of broad silk duties is suggestive. Here an unusually elaborate schedule of specific rates, covering pages in the tariff law, had been worked out and incorporated into the act of 1909.³ The House subcommittee, in accordance with the general policy of the Ways and Means committee, resurrected this schedule, and incorporated it into the new bill with hardly a change in form or rate. The committee did, however, add a minimum ad valorem clause to the paragraph. When the Senate committee took up revision of the House schedule, especially the substitution of a minimum ad valorem rate based upon foreign in place of one based on American valuation — and more particularly an “adequate” ad valorem rate of this character — it was seen that the specific duties as outlined by the House were nearly useless by reason of the revolution in costs and prices which has occurred since 1909. To counterbalance this movement in costs and prices, and perhaps to counteract the advantages of certain Continental producers arising out of disordered currency conditions, such specific duties would have to be substantially enhanced, perhaps doubled, and possibly more than doubled. Yet political expediency — and the reaction after 1909 would make legislators somewhat cautious — rendered hazardous any such increase. It would be altogether too easy for opponents of a high tariff to point to the fact that a rate of \$3.00 per pound had now become, say, \$7.00.⁴ Accordingly, the whole idea of specific rates was

3. A less elaborate schedule of a similar cast had been introduced into the Dingley tariff.

4. Moreover, the Senate committee was persuaded that the retention of the old scale of specific duties would serve no useful purpose, when they would be actually operative on but one or two groups of fabrics, chiefly, pongees and the lighter grades of habutai — fabrics not produced in this country. Upon all others, the minimum ad valorem provision would come into action.

junked, and the act as passed contains simple *ad valorem* duties in many of its silk paragraphs, notably, those covering thrown silk, woven fabrics or broad silks, plushes, and ribbons.

This change in the type of rates, however, resulting from the peculiar exigencies of the price conditions of the moment, may prove but a temporary phenomenon. Another tariff law — especially when the Payne-Aldrich Act has become altogether past history — may well see a return to specific duties, not only in the case of silk manufactures but in other lines. Indeed, there is already on foot a scheme for the formulation and possible future enactment of specific duties upon wool products, a field (except for compensatory provisions) heretofore untouched by this movement. Many arguments favor the wider imposition of specific rates, and seemingly these now have general endorsement both in and outside of Congress.

On the whole, it is unquestionable that the form of the textile schedules is superior to that in any recent tariff law. For the first time since 1846 the tariff has been framed with the aid of expert counsel. During this period industrial change has been rapid, and the tariff law has preserved many relics of the past. So far as concerns classification, definition, arrangement, the textile sections have fared in the Fordney-McCumber Act as well as any, and better than many. The modernization and simplification of these paragraphs are unalloyed benefits. As far as form is concerned, the alterations in the wool duties in the case of clothing and combing as well as of carpet wools are distinct advantages; criticism must be directed to the rate, if anywhere. The return to larger use of *ad valorem* duties is neither definitely good nor bad: something can be said on either side. The balance lies clearly to the credit of the new act.

II

Passing from the form to the substance of the paragraphs covering textile manufactures, one is impressed at once, even from a cursory reading of the law, with the increases of rates, not merely over those in the Underwood Act but also over those in the relatively high tariff of 1909. Decreases there are, to be sure, as compared with the latter if not with the former law — for example, in connection with certain linen fabrics, with wool tops, and with the lower counts of cotton yarns. The decline in the duties on finer linen cloths will presumably inure to some advantage to the domestic consumer; but it is worth noting that in this case no domestic manufacturing interest was affected, no such fabrics being woven in this country.⁵ In other cases — wool tops, thrown silk, or carpets — the rate retained is still so high as to be practically prohibitive under normal economic conditions. Finally, in regard to such products as the lower count cotton yarns and the lower priced knit goods, the importations have never been significant. Under the somewhat lower duties of the Underwood tariff, cotton yarns below 40s in quality averaged during the five-year period 1914–18 only 12 per cent of the total cotton yarn imports, thus comprising a really negligible proportion of total domestic production.⁶ Of wool hosiery, competitively the weakest link in the knit-goods schedule, imports under the same tariff averaged but 2000 dozen pair per annum.⁷

5. In the case of coarser linen fabrics, such as crashes and paddings which are or may be manufactured in the country, high rates were imposed.

6. The chief imports of cotton yarns have recently been around 80s count (Tariff Commission's Report on Cotton Yarns, p. 242). Upon this and higher qualities rates will probably work out higher than under the 1909 law.

7. Certain sections of the knit-goods industry, however, are much dissatisfied with the rates enacted in the new law, chiefly through fear of overwhelming German competition under existing abnormal conditions. Apparently they propose to take immediate advantage of the "flexible tariff" provisions.

Attention should rather be given to the enhancements in rates, since that is unquestionably the general trend of the new textile schedules. Some of these changes, to be sure, are of no greater significance than the decreases just mentioned. The new duties upon the commoner (countable) cotton cloths, for instance, will work out at substantially higher specific rates for the various types of fabric, and probably in some cases a somewhat greater *ad valorem* equivalent. But presumably the course of importation will be little affected. The war-sprung domestic production of cotton venetians, one of the heaviest imports before 1914, is likely to be consolidated and retained; and there may be some further extension toward the manufacture of finer and more specialized fabrics. For the most part, however, the lines of our chief activity in this field were pretty well laid out before the war; imports were rather supplementary than directly competitive; and it is probable, with the advance of our export trade in cotton cloths, that this situation will be largely maintained.

In a special branch of the cotton manufacture, that of laces and embroideries,⁸ the increase of rates has been substantial and notably frank. Here is an application of protection which the cynic might say had been brought on through dabbling in free trade! For the space of approximately a year and a half after the tariff of 1909 went into effect, importation of lace and embroidery machines was, by the terms of that act, permitted duty-free. As a result the capacity of the domestic lace and embroidery industry was more than doubled. Subsequently the abnormal conditions of the war period went to expand still further this relatively new manufacture, imports between 1914 and 1918 declining 50 per cent. The tariff act of 1909 had provided

8. There is some production of silk laces, net, veils, and the like, but even in value cotton goods comprised in 1914 nearly 85 per cent of the total output.

rather liberally for this "infant industry," with rates usually of 60 and in one case of 70 per cent ad valorem; and the Underwood tariff preserved the duty at the former figure. However, these deterrents to imports were inadequate in the conditions of the post-war period; foreign goods crowded in; and the domestic producers with their recent undertakings of finer production and in the face of some particularly effective German competition, might well make a strong protectionist case. At all events, duties were raised until now for the greater bulk of lace and embroideries imported the rate is 90 per cent ad valorem. This is the highest straight ad valorem rate ever incorporated in an American tariff law for simple protective purposes.

In the case of thrown silks, much the same situation obtains as in that of cotton cloths. Neither the change in form of duty, already spoken of, nor the modifications in the rates, foreshadow any considerable change in the industry itself. The duties on thrown-silk yarns and on sewing silk are still so high as to exclude foreign competition. For example: while the throwing of silk is a simple and inexpensive machine operation, and the value of thrown silk due almost wholly to that of the raw material, this product is dutiable at 25 per cent of its total valuation. With regard to broad silks, there is an appreciable increase in rate even over the 1909 tariff, freely spoken of by the silk people themselves.⁹ Under that act the specific duties produced actual ad valorem rates sometimes as great as 60 per cent; but the great majority of broad silks came in under rates less than 55 per cent, and in such a normal year as 1912 25 per cent of total importations, on the basis of quantity, and over 30 per cent on the basis of value, were burdened only with the minimum ad valorem rate of

9. *American Silk Journal*, September, 1922, p. 57.

45 per cent. The advance to a straight 55 per cent duty, then, means in effect an increase. However, the failure of Congress to enact high specific duties practically closes the door to production by domestic manufacturers of those silk fabrics, habutai and pongee, which are the chief broad silks imported and the only silk goods where foreign supplies dominate the domestic market. An *ad valorem* duty even of 55 per cent will have small effect here because of the relatively low unit value of these fabrics. With the exception of these oriental products, and of the latest style or highest quality fabrics from European (chiefly French) sources, the great volume of our consumption now as heretofore will come from domestic mills.

On the other hand, the increase in rates upon the spun-silk products, especially spun-silk yarns and silk plushes, will probably lead to an extension of that industry, or at least a firm maintenance of its war-blown growth — in so far as called for by domestic demand. This branch of the industry is not as well established in this country as that of thrown silks, and in many respects it possesses points of weakness similar to those in the woolen branch of the wool manufacture: technical difficulties in the handling of the specific raw material in large-scale production, lack of equipment superior to that of foreign producers, and the like. To this manufacture, then, higher duties are presumably welcome, and, from the point of view of relative production costs, probably in some degree justified.¹

In the old domain of Schedule K (now to be known as

1. Under the Payne-Aldrich tariff, the specific duties upon spun-silk yarns worked at slightly more than 35 per cent, but in a normal year (1912) 38 per cent in quantity and 42 per cent in value came in under the minimum *ad valorem* rate of 35 per cent. The 1922 tariff raises the rate on single yarns to 40 per cent, and on two or more ply yarns to 45 per cent. Somewhat the same story may be told of silk plushes, which are almost wholly made of spun silk yarns. All but a negligible proportion of them were dutiable in 1909 at less than 60 per cent *ad valorem*, and a fifth to a quarter at the minimum 45 per cent rate. Now all must pay 60 per cent *ad valorem*.

Schedule 11), interest centers on the "compensatory" duties, rather than upon the avowedly protective rates. The ad valorem rates imposed "for protection only," while substantially higher than in the Underwood Act, are not above those of the tariff of 1909 and usually a trifle lower. Compensatory duties, i. e., those duties imposed upon wool manufactures to indemnify domestic wool manufacturers for the higher price which by reason of the wool duties they must pay for their raw material, have long been a point of contention with respect to the tariff on wool products. It is unnecessary here to recount these difficulties: the question is whether or not the ratio of 4 to 1, adopted as far back as 1867, was at all justified. It will suffice to recall that the Tariff Board found this system of compensatory duties an abundant source of concealed protection, and largely on this account made the recommendation, above referred to, of a clean-wool duty upon the raw material. We now have the wool duty upon a clean-wool basis; nevertheless the compensatory rates still give promise of concealed protection, tho, to be sure, on a much smaller scale than previously.

A curious feature of the present situation is that the methods employed in arriving at the new rates have the apparent endorsement of the Tariff Board of 1911. Someone took a leaf out of the Board's findings, which in parts were quite unpleasant reading for the domestic wool manufacturer, and used them for securing higher protection to the industry. The story is briefly as follows. The Tariff Board found that the wastages of raw material in the several stages of wool-cloth manufacture (taking into account the normal relative values of recoverable wastes) would average certain proportions: in the conversion of scoured wool to tops, around $7\frac{1}{2}$ per cent; of tops to yarns, $4\frac{1}{2}$ per cent; and of yarns to

finished cloth, apparently around 12 per cent.² It pointed out, however, that there were cases in which these losses would run as high as 10, 8, and 20 per cent, respectively — and now Congress, the House subcommittee and, following it, the Senate Finance committee, have used the latter figures! Typical is the case of conversion from yarn to cloth. Here the Tariff Board stated: "If it is desired to compensate the manufacturer of the *heaviest* shrinking *woolen* fabrics [italics mine] . . . the compensatory duty must be as much as 20 per cent of the compensatory duty on yarn higher than that duty. On the other hand, there are certain fabrics for which a fair compensatory duty would exceed the compensatory yarn duty by less than 5 per cent."³ Practically all worsted cloths receive additional protection from the compensatory duties as arranged in the new tariff, and a considerable proportion of woolen fabrics also. The compensatory duties of course could not properly be elaborated upon the basis of minimum losses in conversion; but with average percentages of wastage the compensatory duties would run 12 per cent lower than those actually embodied in the present tariff. Thus, even in the régime of clean-wool duties, there is still room for the play of the wool manufacturers' doctrine that the extreme case should be the guide in fixing compensatory rates.⁴

2. Tariff Board's Report upon Schedule K, pp. 621-626. The Board gives no average for the conversion of yarns to cloths; but it does present the results in 55 cases of worsted fabrics and in 40 cases of woolen fabrics. These show average losses of approximately 10 and 15 per cent, respectively. Inasmuch as worsted yardage is twice as great in the American industry as woolen cloth yardage, an average for the whole domestic production would lie around 12 per cent.

3. Ibid., p. 625.

4. Some minor overprotection of a similar character is evident in the paragraph on cloths weighing less than 4 ounces per square yard, i. e., the old "dress-goods." Here, compensation for cotton-warp fabrics is figured upon the assumption that the warp will equal a quarter of the total weight. Inasmuch as the warp not infrequently amounts to a third or more of the total weight, obviously the domestic manufacturer is indemnified beyond his deserts. However, as suggested, this is not an important item.

It should be noted, however, that, as already intimated, the amount of protection provided in this manner will not by any means run as large as under the old compensatory system. The possible variations among wool products are not as great after the element of shrinkage from raw to clean wool has been avoided. Then, too, the extent of possible overprotection is reduced by the very proper inclusion of a limiting clause in the case of maximum compensatory duties: as regards cloths valued at more than 80 cents per pound, to which the maximum compensatory duty applies, this is to be paid, not upon the full weight of the fabric, but upon "the wool content thereof." It may be noted that this provision is applied to the above high-value cloths alone. It might well have been employed in the case of lower-valued cloths, which often contain a considerable admixture of cotton, and particularly to the so-called "merino" (cotton and wool mixed) knit goods. Still, it does mark a distinct advance over previous methods; and now that a breach has been made perhaps in the future the old structure may be remade throughout.

The complexion of the schedules on textile manufactures as a whole shows effects of the abnormal period since 1914. During these years our textile industries expanded in many lines. The manufacturers of thrown-silk fabrics took over the production of somewhat finer goods than heretofore. The spun-silk industry grew apace, and grew rapidly. Tho the really big lines of manufacture in the cotton-goods industry were not markedly affected — in part because our chief competitor, England, was able and tried hard to maintain a fairly adequate and normal exportation to our markets — yet in certain lines, e. g., venetians, cotton gloves, and laces, peace found our manufacture much extended. In

floor coverings, new branches of production were launched during these years, notably the chenille Axminster and the so-called fibre rugs; and these found competition serious as post-war conditions made importations easier. Finally, wool-cloth manufacturers seized upon the opportunity presented by the elimination of the Continental producers to expand into higher quality levels the output of their mills. The manufacture of dress goods was particularly affected, and within this group fabrics wholly or in part composed of yarns produced on the French or Continental method. The manufacture of nearly all these varied textile fabrics appears to labor under peculiar difficulties. They are chiefly goods in which this country seems to have less comparative advantage than in the lines previously established.

This feature of the situation opens up a still more general consideration. Each branch of the textile industry domiciled in the United States has manifested a tendency to seek after and gradually to take up the production of ever finer goods. Thus the cotton industry, until opportunities opened up for profitable export trade in the coarser and medium grade fabrics, was pushing forward from the production of drills, sheetings, and shirtings to that of the finer ginghams, voiles, and the like. The endeavor for finer manufacture, tho it has not ceased, is not as pronounced as a decade or two ago. In the wool manufacture it is still active. With each increase of the tariff, or, as in recent years, with abnormally easy competitive conditions, the industry takes on a few new lines of production. Our mills admittedly are able to turn out woolen and worsted fabrics which in many branches are regarded by competent observers equal in quality to foreign products; but these are manufactured, especially in the case of the

finer woolen "cloths" and the finer, soft-feeling dress goods, under conditions which, I believe, are substantially less advantageous than in the case of the commoner fabrics. In the silk, spun-silk, carpet, and knit-goods branches, instances of similar nature could be found. The question is obvious: which way are we bound? Apparently the protective tariff rates are destined and impelled to become ever higher; especially so under the theory of equalized production costs and with the practice of measuring protection for the whole of a group by the conditions of the least efficient unit thereof. It is perhaps a matter for congratulation that our textile industries have already traveled so much of the road toward the more elaborate and expensive grades, and that in at least a few branches one can even now see daylight ahead. The cotton manufacture, for example, in many of its divisions is finding it possible to look with something like complacency upon the partition of the whole field with its international competitors; and it is probable that soon some sections of the cotton knit-goods industry, and perhaps the thrown-silk manufacture, may reach the same stage. For other sections of the textile manufacture, as that of wool-working, self-sufficiency is apparently as yet distant; and there are some branches where the process of naturalization or domestication has not even commenced — such as the weaving of most linen cloths, the production of gunny-sacking, and indeed various finer lines in the older industries.

The treatment best to be accorded these latter groups of enterprises is a matter which invites a direct inquiry into public policy. Two alternatives are open. Duties may be pushed higher and higher, as they have been pushed one stage by the recent tariff act, to acquire or preserve the production of special grades and types of

textile fabrics, and so to embrace and protect an ever greater diversity of domestic textile manufactures. This policy would be pursued presumably without regard to the adaptation of these manufactures to American economic conditions. On the other hand, one may conceive of a more thoughtful program. Protective duties would be kept to a moderate level, and domestic industries permitted to turn out only those products which they could fabricate without an extreme measure of artificial assistance. While such a method would perhaps seem to make for stagnation in these manufactures, this does not necessarily follow. Rather, by tying the acquisition of new grades or qualities in production to the improvement in technique and management, such a plan would appear to promise greater spirit and more substantial progress in these fields. The question, then, may well be asked: which of these policies would in the long run probably be of greater advantage and greater benefit not only to the nation as a whole but even to the textile industries themselves? which would probably be more conducive both to the contentment and to the industrial strengthening of the country?

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